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C O N F I D E N T I A L SECTION 01 OF 03 BEIJING 003294

SIPDIS

DEPARTMENT FOR EAP/K, EAP/CM, INR

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TAGS: [EAID](#) [EAGR](#) [ECON](#) [PREL](#) [KN](#) [CH](#)

SUBJECT: NORTH KOREA: UPDATE ON UNDP AND WORLD FOOD PROGRAM  
ACTIVITIES

REF: (A) SEOUL 000776 (B) SEOUL 001667 (C) BEIJING 2812

Classified By: Economics Minister-Counselor William Weinstein. Reasons  
1.4 (b) and (d).

Summary

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11. (C) Summary: The UN's World Food Program (WFP) Beijing-based North Korea coordinator on December 9 told Econoffs that North Korea's "middle class" would be the worst hurt by Pyongyang's recent currency revaluation. Furthermore, despite official North Korean estimates that the 2009 harvest was bigger than in 2008, WFP suspected that, at best, it would only equal last year's harvest. Despite the unimproved domestic food situation, WFP was struggling with a severe lack of donor aid, and could provide only a fraction of its programmed amount. Regarding Chinese-North Korean trade, China told the WFP that the North asked it to stop publishing trade statistics, according to our interlocutor. End Summary.

Currency Revaluation and Economic Rumblings

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12. (C) Lena Savelli, WFP's Beijing-based DPRK coordinator, told EconOffs December 9 that WFP personnel in Pyongyang were not in a position to provide much information to the Beijing office on the currency revaluation since the international community did not use North Korean won (NKW) and therefore was not directly impacted by the revaluation. Savelli, however, surmised that North Koreans were most likely stressed and disgruntled, but also unlikely to talk with foreigners about their plight. She suggested that the middle class was the group most likely to be hurt by the revaluation since they probably held savings in NKW. The rich, on the other hand, probably kept savings in euros or renminbi whenever possible, while lower income North Koreans had no savings and survived largely on the non-monetized economy. The WFP, according to Savelli, was monitoring the situation of urban residents because they relied on local markets for two-thirds of their food. Savelli speculated that this activity could be limited by the revaluation, pushing more of this part of the population into poverty. (Comment: The revaluation's effect on markets is likely to depend on how much trade is conducted in NKW vice foreign currencies such as renminbi or euros. We lack statistics on the share of domestic business conducted in foreign currencies, but suspect that, to the extent that they are used, it will

dampen the negative impact of the revaluation. End Comment.)

¶3. (C) Savelli also estimated that 50 percent of North Korea's factories were not operating and that one-third were operating below capacity. She said the northeast was suffering the worst, but that there were also indications that industrial activity in Changjin (Chongjin?) was improving due to trade with China and Russia. At the same time, according to Savelli, some North Koreans earned enough to have disposable income and were developing more sophisticated tastes. These people were increasingly interested in second-hand South Korean electronics such as refrigerators, which were perceived as higher quality than previously popular Chinese-made new items. Savelli admitted, however, that this represented a relatively small group of people. Savelli also said that during her October trip to Pyongyang she saw pineapples from Thailand and tangerines from China on sale in the Tong'il market.

#### DPRK's Agriculture Situation and Food Aid Appeal

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¶4. (C) Savelli commented that North Korean statements claiming that the 2009 fall grain harvest was 7 percent higher than the 2008 fall harvest appeared inaccurate given the WFP's assessment of the overall agriculture and economic situation. North Korea's fertilizer supply did not increase much this year and there were localized droughts in some areas \* some quite severe. (Note: Our understanding was that the North had increased fertilizer imports in late 2008 and early 2009. See Ref A for statistics. End Note.) She also

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noted that the WFP monitors had heard no indications of increased local harvests when they asked rural residents about agriculture inputs and production as they traveled through the counties to which they have access ) fueling further skepticism over the claimed increase in overall agriculture production. Savelli gave her personal opinion that the 2009 fall harvest would be about the same as 2008's, although she added that she would not be surprised if the harvest was worse than indicated by North Korea's official statements. Savelli also suggested that DPRK government claims that food rations were 355 grams per day per person should be taken with a grain of salt, although she also pointed out that rural residents were able to make do through various coping mechanisms such as kitchen gardens and barter mechanisms.

¶5. (C) Despite rumors that the DPRK was asking for food from unnamed countries and private donors, North Korea was not asking for additional food from the WFP, according to Savelli. She surmised that China had probably committed to provide a good amount of food, which would eliminate the need for North Korea to appeal to the WFP. Savelli said she had heard from contacts in Seoul that South Korea's offer of 10,000 metric tons of corn came in response to a North Korean request for 100,000 metric tons of rice, and was therefore seen as insulting. (see Ref B)

#### DPRK-PRC Trade Stats Obscured at Request of the North?

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¶6. (C) The WFP had been inquiring about the reasons for why China stopped publishing its trade statistics with North Korea, according to Savelli, but had only heard from Chinese government contacts that North Korea had asked the Chinese to stop publishing the statistics. (Note: China's Customs Bureau has not responded to Embassy requests for a meeting to discuss this. End Note.)

#### UN DPRK Operations and Donor Support

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¶7. (C) Savelli told Econoffs that the WFP had decided to take a more holistic approach to the food situation in North

Korea. The WFP was working on a new Strategic Framework which would fold in the work of the UN Development Program (UNDP), the FPA, UNICEF, and other UN agencies working in the North. She stressed the need to include infrastructure, health, education, and production capacity as critical factors in the food shortage problem. She indicated that WFP "wanted to get the word out" that all types of aid should be tied together, and that the food situation would not be improved by food assistance alone. To this end, she said the WFP was considering tying its funding document to the next UN Strategic Assessment--a first for the WFP, she noted--as a way to get around the fact that Pyongyang no longer participated in the Consolidated Appeals Process (CAP). (Note: Pyongyang in 2005 exited from the CAP, which is used for emergency situations, and requested that the UN only provide development assistance to the DPRK. End Note.) Although the overall agriculture situation appeared little changed, Savelli stressed that it was more important to look at ongoing problems for vulnerable regions and segments of the population such as urban residents and children than the gap between overall food supply and demand. Savelli said WFP operations continued as reported in Ref C.

18. (C) Savelli observed that the WFP had had to deal with "pitiful resourcing" in 2009, although Norway recently donated USD 600,000, the first contribution since May. She said that the Program hoped for further contributions from other countries, and that it would point out to donors in the spring 2010 round of talks that if donors wanted WFP in North Korea then they were obliged to provide the necessary resources. She also mentioned that WFP would initiate discussions with Pyongyang on the minimum operating conditions, such as nutritional surveys, required for a successful food program.

19. (C) Savelli explained that the new UNDP representative in Pyongyang was getting settled and that the UNDP had USD 24

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million of core funding that it would soon start to spend.  
HUNTSMAN